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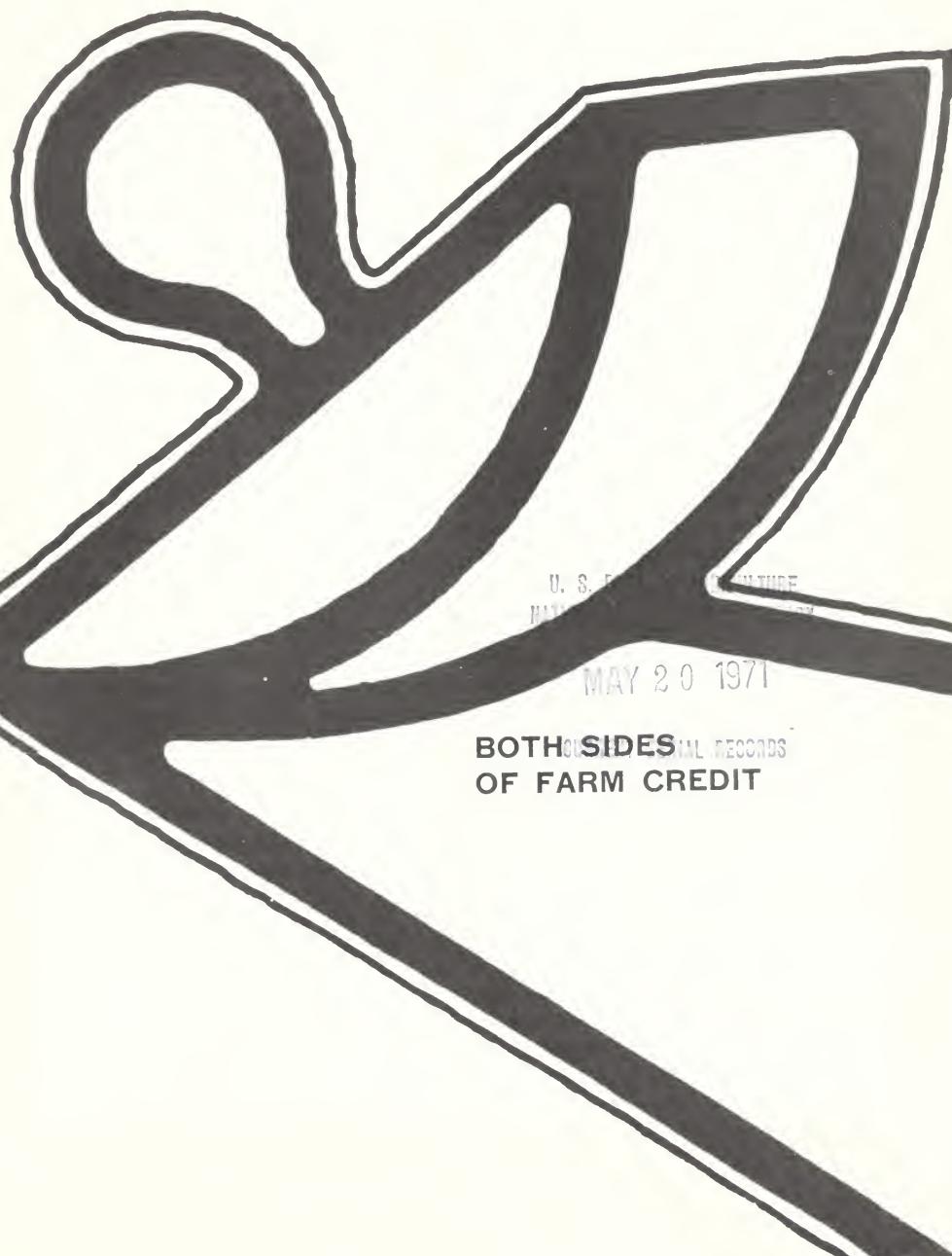
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# agricultural SITUATION

**the crop reporters magazine**

U.S. Department of Agriculture Statistical Reporting Service April 1971



U. S. DEPARTMENT OF AGRICULTURE  
MAY 20, 1971

BOTH SIDES OF FARM CREDIT

Farmers will have more money to borrow in 1971. The tight money crunch of recent years has relaxed, and interest rates are beginning to retreat from some of the highest levels in half a century. Dr. John E. Lee, Jr., Economic Research Service, says, "The increased availability of funds will offer some farmers a chance to expand and others necessary production credit."

Recently, we interviewed Dr. Lee, Chief of the ERS Agricultural Finance Branch, about changes in the farmers' credit situation.

## BOTH SIDES OF FARM CREDIT

*Editor:* Dr. Lee, what is happening to farm credit right now?

*Lee:* Money is becoming more available. Its wholesale cost has shown some substantial declines.

For example, prime interest rates dropped to 6 percent in early 1971 from their high of 8.5 in June 1969. Also, money now costs less in the central money markets to agencies such as the Farm Credit Administration.

Already some of the production credit associations (PCA's) have reduced their interest rates from the predominant range of 8.5-9.5 percent in mid-1970. Rural banks indicate that more money is available now than has been the case in recent years.

*Editor:* Does that mean that things are returning to normal?

*Lee:* No. We're not back to where we were prior to the tight money situation. That is, we're not back to 1966—the most recent year that things were more or less normal. However, the credit situation looks brighter for 1971 than it has for 2 or 3 years.

*Editor:* Will the credit situation continue to get better?

*Lee:* We expect it to improve during the first half of 1971. After that, if we have a big economic boom, money may get tight again.

*Editor:* What will this mean to the farmer who wants a loan from his local bank? How will this be reflected when he seeks to borrow cash for production expenses?

*Lee:* It'll affect farmers in three ways.

First: The sound commercial operator has been able to get adequate production cash even during periods of tight money. The credit ease will mean he'll get expansion money. He'll be able to invest in new machinery, add to his breeding herd, or perhaps build a new porch or home. Many of these kinds of expenditures were postponed during the tight money period.

Second: Some farmers who were considered marginal borrowers during tight money times will be able to get credit. These were the people hurt most during the past 3 years.

I might add, though, that there's no evidence that farmers as a group were any worse off than other borrowers in the economy.

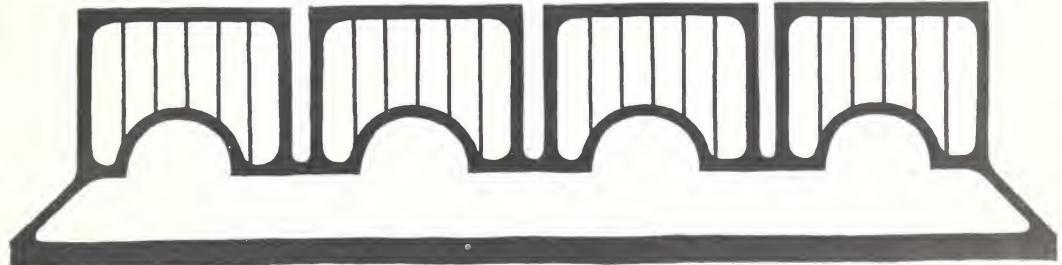
Finally, for all farm borrowers, the cost of using borrowed funds will be lower.

*Editor:* Has there been any change in farmers' loan sources during the past 3 years?

*Lee:* The commercial banks have seen their share of the market decline slightly during the past years.

The PCA's have expanded their share some, because they had an advantage over the banks during the recent tight money period. They could still go to the central money markets and sell bonds and debentures to savers in the large national money centers.

The PCA's paid dearly for this



money, so PCA interest rates were often higher than those charged by other lenders. But when farmers couldn't find money elsewhere, they could get it from PCA's.

The Farmers Home Administration has always had a very small share of the direct lending market, and it remained very small—about 3 percent.

*Editor:* What about the insurance companies?

*Lee:* During the tight money times, insurance companies had less capital to lend. Consequently, they allocated most of it to high return investments—shopping centers, urban apartments, and that sort of thing.

Also, some of the States have low ceilings on interest rates—7 and 8 percent. When the cost of money got above these rates, life insurance companies could no longer lend in those States.

Prior to the recent tight money period, life insurance companies held nearly a fourth of farmers' real estate debt. That share has declined to less than a fifth because the insurance companies had little new money to lend or could not lend it at the high rates they had to charge.

*Editor:* Who filled the credit gap?

*Lee:* The Federal land banks (FLB) and noninstitutional lenders. Federal land banks went straight to the central money sources regardless of high prices.

These banks are not affected by State usury laws. FLB mortgage loans outstanding jumped 94 percent between 1965 and 1971.

In addition, there's been a big increase in the amount of land transactions financed by sellers. Something

like 53 percent of the land sellers have worked out their own land purchase contracts with buyers.

*Editor:* Now that money is more available, will life insurance companies enter the picture again?

*Lee:* That's the big question farm credit people ponder.

Some life insurance companies say they're out of farm credit for good because during the last 3 years they dismantled their network of agents scattered throughout the farm States. Given the decline in farm numbers and the limited volume of farm credit, it may be too expensive for them to re-establish offices and restaff them.

But three or four of the larger companies have insisted all along that they never wanted to be out of farm credit at all and that when money was available they would be lending to farmers again.

Several other companies may be back, but not making the same kinds of loans. One company now considers only loans for \$100,000 or more.

*Editor:* Will new sources of credit arise?

*Lee:* Within banking circles there's been quite some discussion on improving the flow of funds to farmers. There's not a critical need for improvement right now, but there are always better ways to do things.

One group that continues to have problems lending to farmers is commercial banks, particularly small rural ones.

Small rural banks have limited loan funds and so are limited on loan sizes to any one customer. But as farms grow, there's a need for larger operating

loans. The growth of small rural commercial banks has often not kept pace with farmers' needs.

Say, a farmer with a moderate-size operation in the Midwest or Great Plains needs \$30,000 or even \$40,000 cash for production expenses. A small bank may be limited to lending only \$20,000 to a single borrower.

A committee of agricultural economists in the Federal Reserve System is discussing how to overcome lending limitations of small country banks. Some proposals would allow the bank to resell the debt to a larger outfit.

There's also quite a bit of discussion on improving correspondent bank relationships, which work like this:

A small country bank needs to make a loan of \$40,000 to an individual farmer. The small banker gets together with a larger bank on the loan. The small bank lends the farmer \$20,000. The larger bank puts up the other \$20,000, but the small bank services the whole loan. In other words, the small bank acts the part of an agent for a big city bank.

*Editor:* What about outside credit?

*Lee:* Well, remember around 40 percent of production credit comes from noninstitutional sources. It comes from merchants, dealers, and individuals—who through delayed billing, and that kind of thing, give farmers credit.

In addition, some of the larger feed-lot operators and other farm operators have been going around traditional sources of farm credit. Some deal directly with big city banks. For example, some of the Nation's largest banks—in New York, Illinois, and California—are now heavily involved in direct farm financing.

Here's another source of credit. Some farming ventures are going public—incorporating and selling stock as a means of raising capital to finance or expand their operations.

Another source is investments made by persons in high income-tax brackets who seek to shelter their high incomes with capital gains.

The Tax Reform Act of 1969 limited this kind of investing but it's still important for some kinds of livestock enterprises and specialty crops.

*Editor:* How have farmers been repaying the money they have been able to borrow over the past 3 years?

*Lee:* In general, farm loan repayments have been very good. Delinquencies are relatively few and foreclosures have been rare.

Some exceptions occurred in localized areas, where drought, southern leaf blight, or low livestock prices hurt farmers' incomes severely.

There were some increases in bankruptcies in specialty crops, especially in the Pacific area.

*Editor:* With all this talk about capital and credit—are farmers getting too deeply in debt?

*Lee:* Despite the fact that they're borrowing more than twice as much as at the start of the 1960's, farmers' debt of \$60.4 billion on January 1, 1971, amounted to less than 20 percent of total assets. That's lower than for most major industries in the Nation.

Farming is changing. It's no longer a subsistence industry where farmers produce their own inputs. Farmers now approach credit like businessmen. They see money as a tool to expand and increase productivity. And if by borrowing more they make more—they borrow.





## BORROWERS' PROFILE



Borrowers in the Farmers Home Administration (FHA) Farm Ownership Loan Program usually aren't able to get similar loans elsewhere. According to a recent evaluation of the program they're younger, operate smaller farm businesses, and they have lower equities in their properties than most U.S. farmers.

Judged by assets or sales, FHA borrowers' farms weren't the smallest U.S. operations but they were smaller than average in a recent study. Assets at time of borrowing averaged \$28,000—less than half the national per farm figure.

Gross farm sales followed a similar pattern—\$12,500 average per unit for all U.S. farms in the study year; \$7,700 for the new FHA borrowers.

Only around a sixth of all the new borrowers had cash receipts of \$10,000 or more—somewhat below the U.S. average for all farmers—and owned equity in assets of 50 percent or more.

Many borrowers weren't firmly entrenched in operating a farm at the time they applied for loans. Most were younger men. The average age was 40, compared with 51 for all U.S. farm operators. About a third were under 35, compared with only 11 percent of operators nationally.

Further, many borrowers rented

their facilities, and many others had a lower equity ratio—more debt related to property value—than was average for other farmers.

FHA-FO loans ranged from \$10,000 to \$25,000. These were typical of many loans by land banks and insurance companies in 1966 but larger than those usually made by commercial banks. Less than 5 percent of all of the FHA loans were for \$50,000 or more.

Regionally, northern and western borrowers negotiated the largest of these FHA loans; southern borrowers, the smallest. The southern borrowers were generally older with higher equities in their units and had a larger share of fully owned farms.

Typical borrowing by the northerners and westerners was mostly for getting a farm or refinancing outstanding indebtedness. But the southerners usually acquired the loans to enlarge their units.



## FARMERS' FINANCIAL ASSETS

Farmers' bankbooks were fatter than ever at the start of 1970. Farmers' bank savings, time deposits, plus their savings bonds totaled a record \$15.6 billion on January 1, 1970, in 48 States.

The 1970 balance was about \$400 million bigger than the year before, not quite as large a gain as the \$500 million hike in 1968.

The slowing of the rise in farmers' bank time deposits probably reflected their placing savings in other investments. It indicated also that farmers might have put a larger share of their income into operating expenses rather than borrow money at the high interest rates prevailing during 1969.

Most of the liquid asset gain—\$300 million worth—was placed in savings accounts. In all, farmers' time deposits totaled \$5.5 billion.

Bank demand deposits—usually in the form of checking accounts—accounted for the rest of the gain. They were worth \$4.4 billion at the start of 1970.

Farmers' cash on hand stood at about \$2 billion—about the same as a year earlier.

Farmers' bank demand deposits and cash on hand represent capital intended to be used in ordinary operat-

ing expenses. Normally, these two items show little variation from year to year.

Farmers also held about \$3.7 billion in U.S. savings bonds on January 1, 1970—the same as the year before.

Lack of data precludes a full estimate of farmers' other financial assets, but fragmentary information indicates that farmers may have had \$2 to \$3 billion invested in corporate stocks, notes, mortgages, land contracts, cash value of life insurance, and shares of savings and loan associations. That would boost their financial asset total as much as 15 percent above the \$15.6 billion actually counted.

Many farmers also have equity in farmer cooperatives. During 1969, the net worth of farmer co-ops rose 5.6 percent. This made farmers' equity in these businesses worth \$8.2 billion at the start of 1970.

Marketing and purchasing co-ops outnumber all others, and their net worth totaled almost \$4.2 billion, while rural electric cooperatives were valued at over \$1.5 billion.

While the net worth of farmer cooperatives continues to grow, the growth rate totals less than that of the mid-1960's. The slowdown reflects narrower earnings margins because items now cost co-ops more and because co-ops have made efforts to hold down prices for their members.

## THE LONG AND THE SHORT OF FARM CREDIT

Figure farm debt to go up this year more than 1970's 4 percent.

The lower interest rates and increased availability of credit economists envisage for 1971 should encourage farmers to catch up on capital improvements they'd postponed during tight money times.

If long-term interest rates drop much, the experts are even looking for some shifting of land contracts to permanent mortgage financing and some consolidation of short-term debts into real estate credit.

## BALANCE SHEET OF THE FARMING SECTOR<sup>1</sup>

Item	1970	1971 <sup>2</sup>	Net change	
	Billion dollars		Billion dollars	Percent
<b>Assets:</b>				
Real estate <sup>3</sup>	209.0	212.4	.34	1.7
Non-real estate	78.6	80.4	.18	2.3
Financial	23.8	24.4	.6	2.5
Total	311.4	317.2	5.8	1.9
<b>Debts:</b>				
Real estate	28.4	29.2	.8	3.0
Non-real estate	27.0	29.4	2.4	8.9
CCC	2.7	1.8	-.9	-34.5
Total	58.1	60.4	2.3	4.0
Proprietors' equities	253.3	256.8	3.5	1.4

<sup>1</sup> As of Jan. 1, 48 States.

<sup>2</sup> Preliminary.

<sup>3</sup> As of Mar. 1.

Enough said about the future. Now for a back look at borrowing in 1970.

*Non-real estate loans:* At a record \$29.4 billion outstanding January 1, 1971, short- and intermediate-term debt was a whopping 8.9 percent over the year before—the biggest annual dollar increase ever. The rise occurred despite—and partly because of—the highest interest rates in 50 years.

To avoid long-term commitments at such premium rates, many farmers negotiated shorter loans with the intention of refinancing on longer terms if interest rates dropped.

Of course, most lenders were hedging, too—extending short- and intermediate-term credit fairly readily but becoming conservative about long-term commitments just in case interest rates continued to climb.

Small banks found it not unusual in 1970 to receive requests for short and intermediate credit above their lending limit for one borrower.

Production credit associations (PCA's) loaned a record \$8.3 billion in 1970, up 17 percent from 1969. Interest charges were high (by year's end averaging about 9 percent) because PCA's were paying an average of 6.97 percent for the money they borrowed on Federal intermediate credit bank debentures.

There was no marked change in Farmers Home Administration farm operating loans. They totaled about the same as the year before.

Most State directors reported FHA loan funds were insufficient to satisfy all eligible requests. The agency's appropriation for 1970 didn't increase. Also, as the average size loan required to adequately operate a farm rose, the number of farmers served by FHA decreased in some areas.

Commodity Credit Corporation (CCC) loans, \$1.8 billion on January 1, 1971, were one-third less than the preceding 2 years. Lower crop production and market prices above CCC loan values accounted for the bulk of the decrease.

*Farm mortgage debt:* On the long-term side, farm real estate debt in 1970 registered the smallest gain in a decade—\$0.8 billion. It now stands at \$29.2 billion.

The fall-off in borrowing was due to the high interest rates—in second half 1970 they topped 1969 new loan rates by 1.0 to 1.5 percentage points.

One major development on the long-term scene last year: The Federal Land Bank of St. Paul introduced a new lending practice—CO-FARM.

CO-FARM let borrowers make payments on real estate loans and allowed them to reborrow without negotiating a new loan.

This practice reduced the bank cost of providing service to borrowers and cut borrowers' costs by eliminating additional title searches, recording, and other charges associated with new or refinanced loans.



## VERSEAS SALES SET RECORD IN 1970

Our agricultural exports crested in calendar year 1970 at a record \$7.2 billion—21 percent over the year before.

Almost all products showed gains in value, led by a 48-percent increase for soybeans and a 40-percent increase for wheat.

Much of the higher value of our farm trade stemmed from higher prices for many of the principal export items. Overall, higher prices contributed about one-third of the value rise in the past calendar year.

Prices were up substantially for feed grains, soybeans, cotton, tobacco, protein meal, vegetable oils, and tallow.

Rice and hides and skins, however, sold a bit below levels of the previous year.

On the volume side, exports were up for all items except tobacco and meat, where higher prices and trade restrictions contributed to market losses.

Back of the boost in U.S. sales were at least three factors:

—Continuing economic gains for our three top customers: Japan, Canada, and the European Community;

—Smaller grain crops and stocks in Europe which not only cut that area's sales in world markets but also stimulated U.S. export of grains, especially wheat, to European buyers;

—A pickup in the economic growth of many developing countries which stimulated their dollar purchases of our products. However, shipments under Government programs continued to account for the bulk of U.S. exports to the developing nations.

Another reason back of the dramatic jump in our agricultural trade over 1969: Our exports were down sharply during the previous year because a longshoremen's strike hit U.S. Atlantic and Gulf ports throughout January and February of 1969.

Although many commodities contributed to the bumper trade year, grains and oilseeds were the top stars in the export galaxy. Here's a rundown:

# G RAINS

Wheat, feed grains, and grain preparations together accounted for \$2.6 billion—more than a third of the trade total and 22 percent over 1969.

Our grain exports were buttressed by a big gain in wheat sales. The 1970 total (including flour and other products)—708 million bushels—was up nearly two-fifths from 1969. And better still, nearly all the increased wheat sales were for dollars.

Feed grains also pushed some 17 percent ahead of 1969 shipments to reach 19.5 million metric tons.

Japan, by far the most important cash customer for our feed grains, took roughly a third of the total. Sales to the European Community, after decreasing for 3 years, rebounded in 1970 because of member nations' fall-off in production and stocks.

U.S. feed grain prices in world markets increased about 5 percent from 1969 because of reduced U.S. production resulting from bad weather and the corn blight.

We're still leading the world in rice exports but our shipments in 1970 dipped about 8 percent to 1.7 million metric tons.

There was less need for U.S. rice abroad because of a 9.4 million ton increase in foreign free world production.

Most of the decline in U.S. rice exports was in dollar sales to the EC and other developed nations. Program shipments to developing countries may have been a bit below 1.1 million metric tons in 1969.

# O ILSEEDS

Soybeans, the U.S. supercrop, again gave a big boost to our oilseed and product exports. Total oilseed ship-

ments increased 45 percent to \$1.9 billion.

Our soybean shipments have climbed for 9 consecutive years—gaining an average of 14 percent annually. Soybeans are always sold for dollars.

Behind surging soybean use is the improvement in free world incomes that's letting people eat more meat and other animal products. Greater livestock production abroad—especially in Western Europe and Japan—has pushed the demand for more and more U.S. soybeans for feed.

Japan, using soybeans for food and feed, is the best single customer for this protein source. Japanese imports accounted for nearly 109 million bushels in 1970—almost over two-fifths more than in 1969.

Protein meal exports reached a new high of 4.2 million tons in 1970—a fifth more than in the previous year. Most sales were to Western Europe, where over half the imported protein in 1970 was from U.S. protein meals and the meal equivalent of U.S. soybeans.

Cottonseed and soybean oils shipped abroad in 1970 advanced to 1.9 billion pounds—a tremendous 63-percent hike over the 1.1 billion pounds in 1969. The sharp gain came from increasing consumption and tighter world supplies of competing edible oils—peanut, sunflower, and coconut.

## STELLAR SELLERS

—Our 10 top farm exports:

Commodity	1969 Million	1970 dollars
Soybeans	822	1,216
Wheat	726	1,012
Corn	726	824
Tobacco <sup>1</sup>	540	488
Cotton <sup>2</sup>	280	372
Soybean meal	270	344
Rice	348	306
Grain sorghums	132	196
Soybean oil	97	194
Tallow, inedible	127	176

<sup>1</sup> Unmanufactured.

<sup>2</sup> Excludes linters.

## SRS PROGRAM CHANGES

Faced with rising costs in its crop and livestock estimating program, USDA's Statistical Reporting Service conducted a year-long study to determine what changes to make.

A unique aspect of the modifications announced in February was the role SRS "customers" played in the final alterations.

Rather than arbitrarily cutting back forecasting activities, SRS drew up a list of proposals that could help hold the line on expenses. Over 500 data users—farmers, trade associations, transportation firms, manufacturers—were asked to submit comments and offer suggestions.

Of the more than 300 respondents, some strongly recommended SRS continue the existing estimating program with no changes, while others rejected several proposals.

A midwestern agricultural analyst put it this way, ". . . the proposed changes would reduce costs but could sacrifice far more in terms of value to the agribusiness complex."

But some changes had to be made in field crop, and fruit and vegetable estimates. SRS was in a squeeze between demand for more and better statistics by those in agriculture, and the added cost of producing the data.

Dr. Harry Trelogan, head of SRS, said, "Continuing changes in the structure of agriculture have increased demands for greater accuracy and timeliness of SRS forecasts and estimates."

The price of putting together estimates has risen substantially as SRS has shifted data collection methods away from mail surveys of farmers and ranchers and toward probability sampling.

The newer techniques require more men in the field, increased personal contact with producers, and computer services available for 44 field offices.

The final program changes took into account suggestions of data users. For example, SRS had considered combining the September and October general crop reports. Data users wanted, and got, individual releases each month.

The cooperative effort produced these other alterations in the statistical program:

The December wheat and rye report will drop the rye segment. The first rye production forecast will now be in July.

An April estimate of winter wheat production and acreage remaining for harvest will be discontinued at the recommendation of data users.

SRS had suggested discontinuing the June wheat estimate, but this will be kept at urging of those responding to the survey.

The July crop report will no longer carry production forecasts by States for corn, flaxseed, rice, sugar crops, dry beans and peas, hay, and tobacco other than flue cured. However the report will give a U.S. production forecast for these crops in addition to soybeans for beans, sorghum grain, and peanuts.

The August crop report will include the first forecast of production by State for late planted crops.

Production forecasts won't be issued as frequently in States raising a minor share of the total U.S. output of a crop.

The annual summary of crop production and value will be released in two parts: small grains in the December crop report and other crops in mid-January.

A forecast of apples by varieties in August replace variety estimates in December.

Categories for hay estimates will be only alfalfa and alfalfa mixtures, all other hay, and total hay.



## SPOTLIGHT ON WYOMING

Wyoming: the Equality State. So-named because it gave women the vote way back in 1869. (And, Women's Lib, take note: Wyoming even had a female Governor back in the 1920's.)

But Wyoming's unofficial nickname is the one that's most famous: the Cowboy State. Indeed, raising cattle and calves is the biggest farm business—accounting for about two-thirds of the \$225 million in farm cash receipts during 1969.

Lester J. Hoffman is the man who keeps tabs on this chunk of the Golden West for the Statistical Reporting Service. Hoffman is the Statistician in Charge of the Crop and Livestock Reporting Service at Cheyenne.

Situated where the Rocky Mountains and the Great Plains join, Wyoming has ideal terrain for livestock grazing. But the topography is not so well suited to crop production. Only about a fifth of the State's farms grow commercial crops—principally hay, sugar-beets, and wheat.

The cattle and calves raised in Wyoming are mostly feeder animals sold into Colorado, Nebraska, and Iowa. These States generally take about two-thirds of the cattle and calves shipped out of Wyoming.

Sheep, once cause of bitter conflict in the Cowboy State, have won a firm place in Wyoming agriculture. They now graze some land unfit for cattle. Marketings earned farmers \$18.5 million in cash receipts in 1969; wool sales added another \$7.5 million. Wyoming

ranks second only to Texas in production of sheep and lambs and wool.

Much of Wyoming's 62½ million acre land area is under Government control and can be used for grazing by ranchers who obtain permits.

The Federal Government holds 47 percent of the total land; State and local governments, 7 percent; and Indian reservations, 3.3 percent. Private owners control 42.7 percent of the acreage.

Wyoming's farms and ranchers are not large in number. Preliminary estimates for 1971 show 8,200 farms in all. However, the farms are big. Spreads average more than 4,400 acres each, compared with a national figure of less than 400 acres per farm.



What they're wearing in Wyoming: Agriculture in the Cowboy State is dominated by ranching.



# outlook

Digested from outlook reports of the Economic Research Service.  
Forecasts based on information available through February 1, 1971

**COSTS OF FARMING** are still going up sharply with the biggest increase in 1971 expected for an input of farm origin—purchased feed. Also look for larger outlays for farm wages which have climbed a total of 21 cents an hour in the past 2 years), insurance (including a scheduled 11-cent rise in Social Security taxes); farm real estate taxes, and fertilizer.

●

**FERTILIZER . . .** Oversupply kept fertilizer prices low during the 1960's but it looks like those bargain basement days are a thing of the past. Sharp price hikes for all major fertilizer elements—nitrogen, phosphate, and potash—seem likely in 1971 as the industry passes on to customers cost increases such as higher wage and transportation expenses.

●

**RECORD PRODUCTION EXPENSES . . .** By the time farmers pay all their bills, farm production expenses in 1971 will probably top last year's \$40.4 billion total. The increase, however, isn't likely to equal 1970's \$2 billion rise because there are a few bright spots in the cost picture: interest rates are easing; replacement livestock prices (especially feeder pigs) are down; and only moderate cost increases are foreseen for pesticides and seeds.

●

**SEED CORN SCENE . . .** Speaking of seeds, here's the seed corn situation: Supplies in total seem adequate, judging from a special SRS report. Seed companies which normally handle about 80% of the U.S. supply hold 828.5 million bushels of corn for spring planting. Farmers need about 800 million bushels to carry through their January planting intentions.

●

**SEED TYPE . . .** A lot of the companies' seed corn supply isn't blight resistant, however. Of the total, only 23% was N-cytoplasm which is resistant to Southern corn leaf blight. Another 40% was blight susceptible T-cytoplasm, likely to yield lower if blight occurs. The remainder, over half the supply, was a blend of both seed types.

**FEED . . .** The total feed grain crop could harvest out to as much as 10% over last year—even with corn blight conditions similar to 1970—because of intended larger acreages for all grains but oats. With a more favorable growing season in 1971, especially for sorghums, the feed grain production would stand well above 1970 production.



**CORN . . .** The 1970/71 supply total is about 10% under a year ago which could cause a 300 to 400 million bushel dent in carryover this October 1. Last October's carryover was 1 billion bushels.



**SOYBEAN ACREAGE . . .** Even though farmers intend to plant a record 46 million acres to soybeans—7% above last year—the crop might well fall short of expected requirements. On that acreage with average yields, the 1971 crop would exceed 1.2 billion bushels.



**SOYBEAN USE . . .** Total soybean use during 1970/71 will probably hit 1.3 billion bushels—6% over last year—the second year in a row use outstripped production. Thus, another sharp drop in carryover is in view. Next September 1, stocks are expected to stand around 65–75 million bushels, the minimum operating level.



**CITRUS . . .** Total citrus production is expected to be 12% over last year's. Despite a freeze on January 21, the prospective production of oranges in Florida will be a record high. Expected production stands at 160 million boxes, 16% above last season and well above the previous record of almost 140 million boxes in 1966/67.



**WOOL . . .** Producers can look forward to some firming in U.S. prices as 1971 progresses. The sheep inventory January 1 was 3% under 1970's—indicating a production cut is likely. But an upturn in the economy should boost domestic use over the postwar low recorded last year.



**FARMLAND VALUES . . .** The total value of farm real estate reached \$210.7 billion last November 1—up \$3.4 billion or 1.6% from a year earlier. Nationally, the average value of farmland increased about 3% to \$195 per acre. The slower rise in value was due to the continuing decline in land in farms.



**PRICE PROSPECTS . . .** In places where land prices are on the downswing, land owners who sell this year may suffer, especially if they bought land in 1967 or 1968, when values in many States reached their peak.

**REAL ESTATE PROSPECTS . . .** Real estate market conditions may improve slightly in 1971 as long term credit supplies increase and interest rates decrease. However, the supply of funds available from commercial institutions is expected to remain below 1967 and 1968 levels.

**TABLE TALK . . .** It looks like there'll be another increase in the per capita consumption of food this year, largely because of the increased availability of pork. It'll push use up around 1%.

**GROCERY BILLS . . .** Food prices in grocery stores are expected to climb much less than in 1970. Price prospects show only a 1% to 2% gain, as compared to last year's 5%.

### STATISTICAL BAROMETER

Item	1967	1970	Latest data available	
Prices received by farmers	100	108	112	Feb. 1971
Prices paid, interest, taxes wage rates	100	109	118	Feb. 1971
Ratio <sup>1</sup>	100	99	95	Feb. 1971
Livestock and poultry on farms	100	102	105	Jan. 1971
Meat animals	100	102	105	Jan. 1971
Milk cattle	100	92	( <sup>2</sup> )	
Poultry	100	98	102	Jan. 1971
Consumer price index, all items	100	116	119	Jan. 1971
Food	100	115	116	Jan. 1971
Agricultural exports (\$ bil.)	6.4	7.2	0.7	Jan. 1971
Agricultural imports (\$ bil.)	4.5	5.7	0.5	Jan. 1971
Disposable personal in- come (\$ bil.)	546.3	684.7	696.9	( <sup>4</sup> )
Expenditures for food (\$ bil.)	93.9	114.3	116.8	( <sup>4</sup> )
Share of income spent for food (percent)	17.2	16.7	16.8	( <sup>4</sup> )
Farm food market basket: <sup>2</sup>				
Retail cost (\$)	1,080	1,225	1,213	Dec. 1970
Farm value (\$)	414	480	437	Dec. 1970
Farmers' share of retail cost (percent)	38	39	36	Dec. 1970
Realized gross farm income (\$ bil.)	49.0	56.2	55.8	( <sup>4</sup> )
Production expenses (\$ bil.)	34.8	40.4	40.9	( <sup>4</sup> )
Realized net farm income (\$ bil.)	14.2	15.8	14.9	( <sup>4</sup> )

<sup>1</sup> Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates.

<sup>2</sup> Average annual quantities per family and single person household bought by wage and clerical workers 1960-61 based on Bureau of Labor Statistics figures.

<sup>3</sup> Not available due to change in cattle inventory class estimates.

<sup>4</sup> Annual rate, seasonally adjusted, fourth quarter 1970.



European wasp stings alfalfa weevil larva. She will then deposit her eggs within the larva. Wasps hatched within the host will eventually kill it.

## WINNING THE WEEVIL WAR

Farmers in three test areas in New Jersey and Pennsylvania have just about won their battle against the alfalfa weevil—and saved more than \$600,000 a year in the process.

Four kinds of tiny wasps are the key elements in this success story. Harmless to everything except alfalfa weevil larvae, these little insects—imported from Europe by USDA scientists—cut the alfalfa weevil population on 155,000 test acres by 90 percent in just 3 years.

In nearly all alfalfa fields, the damage caused by the few pests that remain is only a fraction of the cost of buying and applying pesticides. Consequently, most farmers now forego spraying—saving an estimated \$5 an acre in material, equipment, and labor.

The wasps are winning the weevil war for us by simultaneously stinging the weevil larvae, then depositing their eggs within the larvae. The hatching

wasps eat the larvae from within, eventually killing them.

When USDA Entomologists first began their studies in New Jersey and Pennsylvania in 1967, they captured about 40 weevil larvae with every sweep of their insect nets in an alfalfa field. Of these larvae, only 9 percent had been stung by wasps.

Two years later, each sweep of the net turned up only five larvae, 39 percent of which had a wasp egg inside.

The scientists consider their experiments a resounding success.

Too often, introduced parasites don't become established or aren't effective enough to do away with other means of control. But the wasps have proven their worth on both scores.

Various wasp species are now hunting weevils from New Hampshire to Michigan, from Georgia to the Mississippi River. Hopefully spraying for alfalfa weevils may soon be over.

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